

105TH CONGRESS
2^D SESSION

H. R. _____

IN THE HOUSE OF REPRESENTATIVES

Mr. PETRI introduced the following bill; which was referred to the Committee
on _____

A BILL

To simplify the Federal student loan programs by combining
direct and guaranteed loans, and subsidized and unsub-
sidized loans, into a single federally insured income-con-
tingent loan program.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Income-Dependent
5 Education Assistance Act of 1998”.

1 **TITLE I—SYSTEM FOR MAKING**
2 **INCOME-DEPENDENT EDU-**
3 **CATION ASSISTANCE LOANS**

4 **SEC. 101. PROGRAM AUTHORITY.**

5 (a) IN GENERAL.—The Secretary of the Education
6 shall, in accordance with the provisions of this title, estab-
7 lish programs—

8 (1) to provide insurance for loans made by eligi-
9 ble lenders to eligible students, hereinafter in this
10 title referred to as “private IDEA loans”; and

11 (2) to provide the borrowers of private IDEA
12 loans with the option of converting their loans to in-
13 come contingent repayment by providing direct loans
14 for the discharge of private IDEA loans, hereinafter
15 in this title referred to as “direct IDEA loans”.

16 (b) DURATION OF PROGRAM AUTHORITY.—

17 (1) DURATION.—The authority to conduct the
18 programs authorized by subsection (a) is effective on
19 July 1, 2002, and expires on July 1, 2008.

20 (2) AUTHORITY TO PREPARE FOR PROGRAM.—
21 Notwithstanding paragraph (1), the Secretary may,
22 before July 1, 2002—

23 (A) prescribe regulations to carry out this
24 title; and

1 (B) expend funds appropriated pursuant to
2 this title to carry out activities necessary to the
3 implementation of the programs authorized by
4 subsection (a).

5 (3) LAPSE OF AUTHORITY NOT TO AFFECT OB-
6 LIGATIONS.—The expiration of authority under
7 paragraph (1) shall not affect the obligations of any
8 party to any insurance or loan agreement under this
9 title entered into before such expiration.

10 **SEC. 102. INSURANCE AUTHORITY.**

11 (a) QUALIFICATION OF ELIGIBLE LENDERS.—

12 (1) USE OF AUCTIONS TO APPORTION LENDING
13 AUTHORITY.—The Secretary shall conduct an auc-
14 tion to allocate the authority to make private IDEA
15 loans among eligible lenders for any academic year.
16 The Secretary shall estimate the amount of lending
17 authority that will be required by eligible students
18 for such an academic year, and shall by auction allo-
19 cate such amount, plus a reasonable margin for un-
20 expected loan demand.

21 (2) CONDUCT OF AUCTION.—The Secretary
22 shall allocate the amount of lending authority deter-
23 mined under paragraph (1) among eligible lenders
24 submitting bids in descending order by the unit price
25 bid, but permitting each bidding lender to pay for

1 such authority at the unit price bid by the next
2 lower ranking bid, except that the Secretary may es-
3 tablish by regulation a different procedure for the
4 conduct of the auction if the Secretary determines
5 that such procedure will secure more receipts for the
6 United States.

7 (3) TRANSFERABILITY OF LENDING AUTHOR-
8 ITY.—An eligible lender may transfer any lending
9 authority acquired pursuant to this subsection to an-
10 other eligible lender upon such terms as may be
11 agreed upon between such lenders, except that the
12 acquiring lender may not extend loans pursuant to
13 such authority except after notice to the Secretary
14 in such form and manner as the Secretary may re-
15 quired by regulation.

16 (b) TERMS OF INSURANCE.—

17 (1) AGREEMENTS.—The Secretary shall enter
18 into an insurance agreement with each eligible lend-
19 er to which the Secretary has allocated lending au-
20 thority under subsection (a) and with each eligible
21 lender acquiring lending authority by transfer pursu-
22 ant to subsection (a)(3). Such agreements shall pro-
23 vide insurance coverage with respect to loans made
24 to eligible students in aggregate principal amounts

1 not exceeding the amount of such lending authority
2 obtained by the eligible lender.

3 (2) TERMS OF AGREEMENTS.—An insurance
4 agreement with any eligible lender shall—

5 (A) provide that funds borrowed by a
6 student—

7 (i) are disbursed to the institution by
8 check or other means that is payable to,
9 and requires the endorsement or other cer-
10 tification by, such student; or

11 (ii) in the case of a student who is
12 studying outside the United States in a
13 program of study abroad that is approved
14 for credit by the home institution at which
15 such student is enrolled or at an eligible
16 foreign institution, are, at the request of
17 the student, disbursed directly to the stu-
18 dent by the means described in clause (i),
19 unless such student requests that the
20 check be endorsed, or the funds transfer
21 authorized, pursuant to an authorized
22 power-of-attorney;

23 (B) provide that the proceeds of the loans
24 will be disbursed in accordance with the re-

1 quirements of section 428G of the Higher Edu-
2 cation Act of 1965 (20 U.S.C. 1078–7);

3 (C) not require the payment, by either the
4 lender or the borrower, of any insurance pre-
5 mium;

6 (D) set forth procedures for the verifica-
7 tion of compliance with the limits of the lending
8 authority acquired by such lender under sub-
9 section (a);

10 (E) provide that the holder of any such
11 loan will be required to submit to the Secretary,
12 at such time or times and in such manner as
13 the Secretary may prescribe, statements con-
14 taining such information as may be required by
15 or pursuant to regulation for the purpose of en-
16 abling the Secretary to determine the amount
17 of any payment which must be made with re-
18 spect to that loan;

19 (F) provide for making such reports, in
20 such form and containing such information, in-
21 cluding financial information, as the Secretary
22 may reasonably require to carry out the Sec-
23 retary's functions under this title and protect
24 the financial interest of the United States, and
25 for keeping such records and for affording such

1 access thereto as the Secretary may find nec-
2 essary to assure the correctness and verification
3 of such reports;

4 (G) provide for conducting such financial
5 and compliance audits of the lender as may be
6 required by regulations of the Secretary, con-
7 ducted by a qualified, independent organization
8 or person in accordance with standards estab-
9 lished by the Comptroller General for the audit
10 of governmental organizations, programs, and
11 functions, the results of which shall be sub-
12 mitted to the Secretary;

13 (H)(i) provide that any eligible lender may
14 transfer loans which are insured under this title
15 to any other eligible lender; and

16 (ii) provide that the lender (or the holder
17 of the loan) shall, not later than 120 days after
18 the borrower has left the eligible institution, no-
19 tify the borrower of the date on which the re-
20 payment period begins;

21 (I) provide that, if the sale, other transfer,
22 or assignment of a loan made under this title
23 to another holder will result in a change in the
24 identity of the party to whom the borrower
25 must send subsequent payments or direct any

1 communications concerning the loans, then the
2 transferor and the transferee shall, not later
3 than 45 days from the date the transferee ac-
4 quires a legally enforceable right to receive pay-
5 ment from the borrower on such loan, either
6 jointly or separately, provide a notice to the
7 borrower of—

8 (i) the sale or other transfer;

9 (ii) the identity of the transferee;

10 (iii) the name and address of the
11 party to whom subsequent payments or
12 communications must be sent; and

13 (iv) the telephone numbers of both the
14 transferor and the transferee; and

15 (J) contain such other terms and condi-
16 tions, consistent with the provisions of this title,
17 as the Secretary may require to protect the
18 United States from the risk of unreasonable
19 loss or to protect the Federal fiscal interests,
20 and as are agreed to by the Secretary and the
21 lender.

22 (3) ASSIGNABILITY OF INSURANCE.—The rights
23 of an eligible lender arising under insurance issued
24 to it under this section may be assigned as security

1 by such lender only to another eligible lender, and
2 subject to regulation by the Secretary.

3 (4) CONSOLIDATION NOT TO AFFECT INSUR-
4 ANCE.—The consolidation of the obligations of two
5 or more private IDEA loans obtained by a student
6 borrower in any academic year into a single obliga-
7 tion evidenced by a single instrument of indebted-
8 ness shall not affect the insurance by the United
9 States.

10 (5) NOTICE TO SECRETARY AND PAYMENT OF
11 LOSS.—Upon default by the student borrower on
12 any private IDEA loan, and prior to the commence-
13 ment of suit or other enforcement proceedings upon
14 security for that loan, the insurance beneficiary shall
15 promptly notify the Secretary, and the Secretary
16 shall if requested (at that time or after further col-
17 lection efforts) by the beneficiary, or may on the
18 Secretary's own motion, if the insurance is still in
19 effect, pay to the beneficiary the amount of the loss
20 sustained by the insured upon that loan as soon as
21 that amount has been determined. The "amount of
22 the loss" on any loan shall be deemed to be an
23 amount equal to the unpaid balance of the principal
24 amount and accrued interest, including interest ac-
25 cruing during the period from the date of the default

1 to the date on which payment is authorized by the
2 Secretary, except that such period shall not exceed
3 180 days. Such beneficiary shall be required to meet
4 the standards of due diligence in the collection of the
5 loan and shall be required to submit proof that rea-
6 sonable attempts were made to locate the borrower
7 (when the location of the borrower is unknown) and
8 proof that contact was made with the borrower
9 (when the location is known). The Secretary shall
10 make the determination required to carry out the
11 provisions of this paragraph not later than 90 days
12 after the notification by the insurance beneficiary
13 and shall make payment in full on the amount of the
14 beneficiary's loss pending completion of the due dili-
15 gence investigation.

16 (6) EFFECT OF PAYMENT OF LOSS.—Upon pay-
17 ment of the amount of the loss pursuant to para-
18 graph (5), the United States shall be subrogated for
19 all of the rights of the holder of the obligation upon
20 the insured loan and shall be entitled to an assign-
21 ment of the note or other evidence of the insured
22 loan by the insurance beneficiary. The Secretary
23 shall pursue further collection of such loan pursuant
24 to section 104.

1 (7) FORBEARANCE NOT PRECLUDED.—Nothing
2 in this section or in this title shall be construed to
3 preclude any forbearance for the benefit of the stu-
4 dent borrower which may be agreed upon by the par-
5 ties to the insured loan and approved by the Sec-
6 retary, or to preclude forbearance by the Secretary
7 in the enforcement of the insured obligation after
8 payment on that insurance. Any forbearance which
9 is approved by the Secretary under this paragraph
10 with respect to the repayment of a loan, including a
11 forbearance during default, shall not be considered
12 as indicating that a holder of a private IDEA loan
13 has failed to exercise reasonable care and due dili-
14 gence in the collection of the loan.

15 (8) CARE AND DILIGENCE REQUIRED OF HOLD-
16 ERS.—Nothing in this section or in this title shall be
17 construed to excuse the holder of a federally insured
18 loan from exercising reasonable care and diligence in
19 the making and collection of loans under the provi-
20 sions of this title. If the Secretary, after a reason-
21 able notice and opportunity for hearing to an eligible
22 lender, finds that it has substantially failed to exer-
23 cise such care and diligence, the Secretary shall dis-
24 qualify that lender for further Federal insurance on
25 loans granted pursuant to this title until the Sec-

1 retary is satisfied that its failure has ceased and
2 finds that there is reasonable assurance that the
3 lender will in the future exercise necessary care and
4 diligence or comply with such requirements, as the
5 case may be.

6 (c) EXCLUSIVE ARRANGEMENTS PERMITTED.—Sub-
7 ject to such regulations as may be prescribed by the Sec-
8 retary, an eligible lender may enter into an agreement with
9 an eligible institution that affords such lender the right
10 to serve as the exclusive lender to the students obtaining
11 loans under this title to cover the cost of attendance at
12 such institution.

13 **SEC. 103. LOAN AMOUNTS, TERMS, AND CONDITIONS.**

14 (a) ANNUAL AND AGGREGATE LIMITS BASED ON
15 FFEL LIMITS.—

16 (1) ANNUAL LIMITS.—The total of loans made
17 to a student in any academic year or its equivalent
18 (as determined by the Secretary) which may be cov-
19 ered by Federal loan insurance under this title may
20 not exceed the greater of—

21 (A) the amount that may be made avail-
22 able under section 428(b)(1)(A) of the Higher
23 Education Act of 1965 (20 U.S.C.
24 1078(b)(1)(A)) to such student; or

1 (B) the amount that may be made avail-
2 able under section 428H(d)(2) of such Act (20
3 U.S.C. 1078–8).

4 (2) AGGREGATE LIMITS.—The aggregate in-
5 sured unpaid principal amount for all private IDEA
6 loans made to any student shall not at any time ex-
7 ceed the aggregate insured unpaid principal amount
8 for all loans that may be made to any student under
9 section 428(b)(1)(B) of such Act (20 U.S.C.
10 1078(b)(1)(B)), as adjusted under section
11 428H(d)(3) (20 U.S.C. 1078–8(d)(3)).

12 (b) PARALLEL TERMS, CONDITIONS, AND BENE-
13 FITS.—Unless otherwise specified in this title or section
14 6306 of the Internal Revenue Code of 1986, loans made
15 to borrowers under this title shall have the same terms,
16 conditions, and benefits, as loans made to borrowers under
17 section 428 of the Higher Education Act of 1965.

18 (c) NONPARALLEL TERMS, CONDITIONS, AND BENE-
19 FITS.—

20 (1) DEMONSTRATION OF FINANCIAL NEED NOT
21 REQUIRED.—An eligible student may obtain a loan
22 under this title without a demonstration of financial
23 need, but no loan under this title shall exceed the
24 student's cost of attendance, as determined under
25 section 472 of the Higher Education Act of 1965

1 (20 U.S.C. 1087kk). A lender may not make a loan
2 under this title unless the lender has obtained from
3 the student or the eligible institution at which the
4 student has been accepted for enrollment, or at
5 which the student is in attendance, a statement from
6 such institution that sets forth such student's esti-
7 mated cost of attendance.

8 (2) ORIGINATION FEES AND INSURANCE PRE-
9 MIUMS PROHIBITED.—An eligible student shall not
10 be required to pay any origination fee, insurance
11 premium, or other fee or charge to obtain a loan
12 under this title.

13 (3) IN-SCHOOL AND GRACE PERIOD PAYMENTS
14 DEFERRED; INTEREST CAPITALIZED.—An eligible
15 student shall not be required to pay periodic install-
16 ments of principal, and may have added to principal
17 any interest that accrues, during any period before
18 the beginning of the repayment period of the loan.
19 The repayment period of the loan begins—

20 (A) the day after 6 months after the date
21 the student ceases to carry at least one-half the
22 normal full-time academic workload (as deter-
23 mined by the institution); or

24 (B) on an earlier date if the borrower re-
25 quests and is granted a repayment schedule

1 that provides for repayment to commence at an
2 earlier date.

3 (4) INTEREST RATE.—

4 (A) MAXIMUM RATE.—Notwithstanding
5 subparagraphs (B) and (C), the interest rate on
6 any private IDEA loan under this title shall not
7 exceed 9.0 percent.

8 (B) IN-SCHOOL AND GRACE PERIOD.—
9 During any period before the beginning of the
10 repayment period described in paragraph (3),
11 the rate of interest on any private IDEA loan
12 under this title shall be determined on the pre-
13 ceding June 1 and be equal to—

14 (i) the average of the bond equivalent
15 rates of 91-day Treasury bills auctioned
16 during the one-year period prior to such
17 June 1; plus

18 (ii) 2.3 percent.

19 (C) DURING REPAYMENT.—During any pe-
20 riod after the beginning of the repayment pe-
21 riod described in paragraph (3), the rate of in-
22 terest on any private IDEA loan under this title
23 shall be determined on the preceding June 1
24 and be equal to—

- 1 (i) average of the bond equivalent
2 rates of 91-day Treasury bills auctioned
3 during the one-year period prior to such
4 June 1; plus
5 (ii) 2.8 percent.

6 (D) SPECIAL ALLOWANCES WHEN INTER-
7 EST RATES CAPPED.—

8 (i) QUARTERLY PAYMENT BASED ON
9 UNPAID BALANCE.—If for any year the
10 rate determined subparagraph (B) or (C)
11 exceeds 9.0 percent, a special allowance
12 shall be paid for each of the 3-month peri-
13 ods ending March 31, June 30, September
14 30, and December 31 of such year and the
15 amount of such allowance paid to any
16 holder with respect to any 3-month period
17 shall be a percentage of the average unpaid
18 balance of principal (not including un-
19 earned interest added to principal) of all
20 eligible loans held by such holder during
21 such period.

22 (ii) RATE OF SPECIAL ALLOWANCE.—
23 The special allowance percentage for pur-
24 poses of clause (ii) shall be equal to one-
25 fourth of the percentage by which the rate

1 determined under subparagraph (A) or (B)
2 (as the case may be) exceeds 9.0 percent.

3 (E) CONSULTATION.—The Secretary shall
4 determine the rate of interest under this para-
5 graph after consultation with the Secretary of
6 the Treasury and shall publish such rate in the
7 Federal Register as soon as practicable after
8 the date of determination.

9 (5) REPAYMENT OPTIONS OFFERED BY LEND-
10 ERS.—An eligible lender may offer a borrower any
11 repayment schedule that may be offered with respect
12 to a loan made under section 428 of the Higher
13 Education Act of 1965 (20 U.S.C. 1078), except
14 that such schedules may include repayment over a
15 period of more than 10 years.

16 (d) FORM OF NOTE.—The Secretary shall, by regula-
17 tion, prescribe the form of the note or other evidence of
18 indebtedness for private IDEA loans consistent with the
19 requirements of this title. Such note or other evidence
20 shall—

21 (1) provide that, if the borrower defaults on re-
22 payment, the loan shall be collectible on an income
23 contingent basis in accordance with section 6306 of
24 the Internal Revenue Code of 1986;

1 (2) provide that, if the loan is collectible on an
2 income contingent basis, the borrower agrees that—

3 (A) any payment owed with respect to such
4 loan shall be considered as an income tax, and
5 shall be subject to collection by the Internal
6 Revenue Service in the same manner, and sub-
7 ject to the same penalties, as a tax due;

8 (B) the borrower's taxpayer identification
9 number may be used for the purposes of identi-
10 fying the borrower's IDEA account;

11 (C) the borrower will make payments on
12 such loan using the income tax withholding sys-
13 tem and will make appropriate adjustments to
14 his or her withholding or estimated tax pay-
15 ments for such purposes; and

16 (D) if the borrower files for relief under
17 title 11, United States Code, the borrower
18 agrees the borrower's repayment obligations on
19 the IDEA loan will be treated the same as Fed-
20 eral income tax obligations; and

21 (3) contains such additional terms and condi-
22 tions as the Secretary of the Treasury may prescribe
23 by regulation.

1 **SEC. 104. CONVERSION TO INCOME CONTINGENT REPAY-**
2 **MENT.**

3 (a) CONVERSION UPON PAYMENT OF INSURANCE
4 CLAIM.—Upon payment by the Secretary of an insurance
5 claim under section 102 with respect to a private IDEA
6 loan, the Secretary shall treat such loan as a direct IDEA
7 loan for purposes of collection under section 6306 of the
8 Internal Revenue Code of 1986.

9 (b) CONVERSION AT THE ELECTION OF THE BOR-
10 ROWER.—

11 (1) ELECTION.—At any time within 180 days
12 before, and any time after, the beginning of the re-
13 payment period of a private IDEA loan (as deter-
14 mined under section 103(c)(3)), the borrower of
15 such loan may elect to convert such loan to a direct
16 IDEA loan for collection under section 6306 of the
17 Internal Revenue Code of 1986 by filing with the
18 lender and the Secretary a notice in such form and
19 containing such information as the Secretary may
20 require by regulation.

21 (2) DISCHARGE OF PRIVATE IDEA LOAN.—
22 Upon receipt of a notice of election under paragraph
23 (1) with respect to any loan, the Secretary shall pay
24 to the holder of the loan the principal and accrued
25 interest owing on the loan.

1 (c) NOTICE TO SECRETARY OF THE TREASURY.—

2 The Secretary shall notify the Secretary of the Treasury
3 of the loans that are converted to direct IDEA loans under
4 this section. Such notice shall contain—

5 (1) the name, address, and taxpayer identifica-
6 tion number of the borrower;

7 (2) the amount paid by the Secretary to dis-
8 charge such loans; and

9 (3) such other information as the Secretary and
10 the Secretary of the Treasury may require.

11 **SEC. 105. DEFINITIONS.**

12 As used in this title:

13 (1) SECRETARY.—The term “Secretary” means
14 the Secretary of Education.

15 (2) ELIGIBLE INSTITUTION.—The term ‘eligible
16 institution’ means any eligible institution within the
17 meaning of section 435(a) of the Higher Education
18 Act of 1965 (20 U.S.C. 1085(a)) that has a pro-
19 gram participation agreement with the Secretary
20 under section 487 of such Act (20 U.S.C. 1094).

21 (3) ELIGIBLE LENDER.—The term “eligible
22 lender” has the meaning provided by section 435(b)
23 of such Act (20 U.S.C. 1085(d)).

24 (4) ELIGIBLE STUDENT.—The term “eligible
25 student” means any student that is an eligible stu-

1 dent under section 484 of such Act (20 U.S.C.
2 1091).

3 **TITLE II—COLLECTION OF IN-**
4 **COME-DEPENDENT EDU-**
5 **CATION ASSISTANCE LOANS**

6 **SEC. 201. REPAYMENTS USING INCOME TAX COLLECTION**
7 **SYSTEM.**

8 (a) IN GENERAL.—Subchapter A of chapter 64 of the
9 Internal Revenue Code of 1986 (relating to collection) is
10 amended by adding at the end the following new section:

11 **“SEC. 6306. COLLECTION OF DIRECT INCOME-DEPENDENT**
12 **EDUCATION ASSISTANCE LOANS.**

13 “(a) REPAYMENT OBLIGATION.—

14 “(1) IN GENERAL.—If an individual is fur-
15 nished a notice under paragraph (2) for a calendar
16 year that such individual is in repayment status for
17 such year with respect to any direct IDEA loan,
18 such individual shall make a payment under this sec-
19 tion for the taxable year beginning in such calendar
20 year.

21 “(2) NOTICE TO BORROWER.—

22 “(A) IN GENERAL.—During January of
23 each calendar year, the Secretary of Education
24 shall furnish to each borrower of a direct IDEA
25 loan a notice as to—

1 “(i) whether the records of the Sec-
2 retary indicate that such borrower is in re-
3 payment status for the taxable year begin-
4 ning in the preceding calendar year,

5 “(ii) the maximum account balance of
6 such borrower,

7 “(iii) the current account balance of
8 such borrower as of the close of the pre-
9 ceding calendar year, and

10 “(iv) the procedure for computing the
11 amount of repayment owing for the taxable
12 year beginning in the preceding calendar
13 year.

14 “(B) FORM, ETC.—The notice under sub-
15 paragraph (A)—

16 “(i) shall be in such form as the Sec-
17 retary may by regulations prescribe, and

18 “(ii) shall be treated as furnished if
19 sent by mail to the individual’s last known
20 address or left at the dwelling or usual
21 place of business of such individual.

22 “(b) COMPUTATION OF ANNUAL REPAYMENT
23 AMOUNT.—

1 “(1) IN GENERAL.—The annual amount pay-
2 able under this section by the taxpayer for any tax-
3 able year shall be the lesser of—

4 “(A) the product of—

5 “(i) the base amortization amount,
6 and

7 “(ii) the progressivity factor for the
8 taxpayer for such taxable year, or

9 “(B) 21 percent of the excess of—

10 “(i) the modified adjusted gross in-
11 come of the taxpayer for such taxable year,
12 over

13 “(ii) the base income amount.

14 “(2) BASE AMORTIZATION AMOUNT.—

15 “(A) IN GENERAL.—For purposes of this
16 section, the term ‘base amortization amount’
17 means the amount which, if paid at the close of
18 each year for a period of 12 consecutive years,
19 would fully repay (with interest) at the close of
20 such period the maximum account balance of
21 the borrower. For purposes of the preceding
22 sentence, an 8-percent annual rate of interest
23 shall be assumed.

24 “(B) JOINT RETURNS.—In the case of a
25 joint return where each spouse has an account

1 balance and is in repayment status, the amount
 2 determined under subparagraph (A) shall be
 3 the sum of the base amortization amounts of
 4 each spouse.

5 “(3) PROGRESSIVITY FACTOR.—

6 “(A) IN GENERAL.—For purposes of this
 7 section, the term ‘progressivity factor’ means
 8 the number determined under tables prescribed
 9 by the Secretary which is based on the following
 10 tables for the circumstances specified:

11 “(i) JOINT RETURNS; SURVIVING
 12 SPOUSES.—In the case of a taxpayer to
 13 whom section 1(a) applies—

“If the taxpayer’s modified adjusted gross income is:	The progressivity factor is:
Not over \$9,491.00 .....	.5052
\$14,128.00 .....	.5668
\$20,214.00 .....	.6283
\$26,227.00 .....	.6907
\$32,458.00 .....	.8146
\$39,485.00 .....	.9073
\$47,165.00	1.0000
\$58,685.00	1.0000
\$76,652.00	1.1520
\$105,487.00	1.2720
\$141,324.00	1.3640
\$196,919.00	1.4850
\$290,919.00 and over	2.0000

14 “(ii) HEADS OF HOUSEHOLDS.—In
 15 the case of a taxpayer to whom section
 16 1(b) applies—

“If the taxpayer’s modified adjusted gross income is:	The progressivity factor is:
Not over \$7,897.00 .....	.5052
\$12,461.00 .....	.5668

25

\$14,852.00 .....	.5956
\$19,417.00 .....	.6779
\$24,053.00 .....	.7522
\$30,212.00 .....	.8761
\$37,891.00	1.0000
\$45,571.00	1.0000
\$57,091.00	1.0940
\$76,290.00	1.2500
\$103,169.00	1.4060
\$144,286.00	1.5000
\$235,773.00 and over	2.0000

1 “(iii) UNMARRIED INDIVIDUALS,
2 ETC.—In the case of a taxpayer to whom
3 section 1(c) applies—

“If the taxpayer’s modified adjusted gross income is:	The progressivity factor is:
Not over \$7,897.00 .....	.5500
\$10,868.00 .....	.5779
\$13,983.00 .....	.6057
\$17,171.00 .....	.6623
\$20,214.00 .....	.7189
\$24,053.00 .....	.8033
\$30,212.00 .....	.8877
\$37,891.00	1.0000
\$45,571.00	1.0000
\$54,772.00	1.1180
\$70,132.00	1.2350
\$99,329.00	1.4120
\$113,891.00	1.5000
\$202,860.00 and over	2.0000

4 “(iv) MARRIED INDIVIDUALS FILING
5 SEPARATE RETURNS.—In the case of a
6 taxpayer to whom section 1(d) applies—

“If the taxpayer’s modified adjusted gross income is:	The progressivity factor is:
Not over \$4,745.50 .....	.5052
\$7,064.00 .....	.5668
\$10,107.00 .....	.6283
\$13,113.50 .....	.6907
\$16,229.00 .....	.8146
\$19,742.50 .....	.9073
\$23,582.50	1.0000
\$29,342.50	1.0000
\$38,326.00	1.1520
\$52,743.50	1.2720
\$70,662.00	1.3640

\$98,459.50	1.4850
\$145,475.00 and over	2.0000

1 “(v) SPECIAL RULE FOR MARRIED IN-
2 DIVIDUALS WHO LIVE APART.—The table
3 contained in clause (iii) (and not the table
4 contained in clause (iv)) shall apply to an
5 individual who—

6 “(I) is married as of the close of
7 the taxable year (within the meaning
8 of section 7703) but does not file a
9 joint return for such year, and

10 “(II) lives apart from his spouse
11 at all times during the taxable year.

12 “(B) RATABLE CHANGES.—The tables pre-
13 scribed by the Secretary under subparagraph
14 (A) shall provide for ratable increases (rounded
15 to the nearest 1/1,000) in the progressivity fac-
16 tors between the amounts of modified adjusted
17 gross income contained in the tables.

18 “(C) INFLATION ADJUSTMENT OF MODI-
19 FIED AGI AMOUNTS.—For inflation adjustment
20 of amounts of modified adjusted gross income,
21 see subsection (i)(3).

22 “(4) MODIFIED ADJUSTED GROSS INCOME.—
23 For purposes of this subsection, the term ‘modified

1 adjusted gross income’ means adjusted gross income
2 for the taxable year—

3 “(A) determined without regard to—

4 “(i) sections 135, 911, 931, and 933,

5 “(ii) the deductions from gross income

6 allowable under section 62(a) by reason

7 of—

8 “(I) paragraph (6) thereof (relat-

9 ing to profit-sharing, annuities, and

10 bond-purchase plans of self-employed

11 individuals),

12 “(II) paragraph (7) thereof (re-

13 lating to retirement savings), and

14 “(III) paragraph (17) (relating

15 to interest on education loans), and

16 “(B) increased by the amount of interest

17 received or accrued by the taxpayer during the

18 taxable year which is exempt from tax.

19 “(5) BASE INCOME AMOUNT.—For purposes of

20 this subsection, the term ‘base income amount’

21 means—

22 “(A) in the case of a joint return, the sum

23 of the standard deduction applicable to such re-

24 turn and twice the exemption amount for the

25 taxable year, and

1 “(B) in any other case, the sum of the
2 standard deduction applicable to such individual
3 and the exemption amount for the taxable year.
4 For purposes of this paragraph, the term ‘standard
5 deduction’ has the meaning given such term by sec-
6 tion 63(c), and the term ‘exemption amount’ has the
7 meaning given such term by section 151(d).

8 “(c) TERMINATION OF BORROWER’S REPAYMENT
9 OBLIGATION.—

10 “(1) IN GENERAL.—All direct IDEA loans of a
11 borrower shall be canceled as of the close of the first
12 taxable year for which the current account balance
13 of such borrower is not greater than zero.

14 “(2) DETERMINATION OF CURRENT ACCOUNT
15 BALANCE.—

16 “(A) IN GENERAL.—For purposes of deter-
17 mining the current account balance of the bor-
18 rower for any taxable year after the 12th tax-
19 able year that the borrower is in repayment sta-
20 tus under this section, the current account bal-
21 ance shall be the amount which would be such
22 balance if—

23 “(i) the initial account balance of the
24 borrower equaled 90 percent of such initial

1 account balance (determined without re-
2 gard to this clause), and

3 “(ii) clause (ii) of section
4 103(c)(4)(C) of the Income-Dependent
5 Education Assistance Act of 1998 had
6 been applied for all prior periods of repay-
7 ment status under this section by sub-
8 stituting ‘1.8 percent’ for ‘2.8 percent’.

9 In the case of any taxable year after the 16th
10 taxable year that the borrower is in repayment
11 status under this section, clause (ii) shall be ap-
12 plied by substituting ‘0.8 percent’ for ‘1.8 per-
13 cent’.

14 “(B) INITIAL ACCOUNT BALANCE.—For
15 purposes of subparagraph (A), the term ‘initial
16 account balance’ means, with respect to any
17 borrower, the sum of the amounts paid by the
18 Secretary of Education under sections
19 102(b)(5) and 104(b)(2) of the Income-Depend-
20 ent Education Assistance Act of 1998 for loans
21 of such borrower.

22 “(3) NO REPAYMENT REQUIRED AFTER 25
23 YEARS IN REPAYMENT STATUS.—The borrower has
24 no repayment obligation under this section any tax-

1 able year after the 25th taxable year for which the
2 borrower is in repayment status under this section.

3 “(4) DETERMINATION OF YEARS IN REPAY-
4 MENT STATUS.—For purposes of paragraphs (2) and
5 (3), the number of taxable years in which a borrower
6 is in repayment status under this section shall be de-
7 termined without regard to any taxable year before
8 the most recent taxable year in which the borrower
9 received a direct IDEA loan.

10 “(5) EXTENSION OF REPAYMENT YEARS FOR
11 MEDICAL INTERNS.—The number of years specified
12 in paragraphs (2) and (3) shall be increased by 1
13 year for each calendar year during any 5 months of
14 which the individual is an intern in medicine, den-
15 tistry, veterinary medicine, or osteopathic medicine.

16 “(d) DEFINITIONS.—For purposes of this section—

17 “(1) MAXIMUM ACCOUNT BALANCE.—The term
18 ‘maximum account balance’ means the highest
19 amount (as of the close of any calendar year) of un-
20 paid principal and unpaid accrued interest on all di-
21 rect IDEA loan obligations of a borrower.

22 “(2) CURRENT ACCOUNT BALANCE.—The term
23 ‘current account balance’ means the amount (as of
24 the close of a calendar year) of unpaid principal and

1 unpaid accrued interest on all IDEA loans of a
2 borrower.

3 “(3) REPAYMENT STATUS.—A borrower is in
4 repayment status for any taxable year unless—

5 “(A) such borrower was, during at least 7
6 months of such year, an eligible student, as
7 that term is defined in section 109(2) of the In-
8 come-Dependent Education Assistance Act of
9 1998; or

10 “(B) such taxable year was the first year
11 in which the borrower was such an eligible stu-
12 dent and the borrower was such an eligible stu-
13 dent during any of the last 6 months of such
14 taxable year.

15 “(4) DIRECT IDEA LOAN.—The term ‘direct
16 IDEA loan’ means has the meaning given such term
17 by title I of the Income-Dependent Education Assist-
18 ance Act of 1998. Such term includes any loan
19 which is treated as such under section 104 of such
20 title.

21 “(e) PAYMENT OF AMOUNT OWING.—Any amount to
22 be collected from an individual under this section shall be
23 paid—

24 “(1) not later than the last date (determined
25 without regard to extensions) prescribed for filing

1 his return of tax imposed by chapter 1 for the tax-
2 able year ending before the date the notice under
3 subsection (a) is sent, and

4 “(2)(A) if such return is filed not later than
5 such date, with such return, or

6 “(B) in any case not described in subparagraph
7 (A), in such manner as the Secretary may by regula-
8 tions prescribe.

9 “(f) FAILURE TO PAY AMOUNT OWING.—If an indi-
10 vidual fails to pay the full amount required to be paid on
11 or before the last date described in subsection (e)(1), the
12 Secretary shall assess and collect the unpaid amount in
13 the same manner, with the same powers, and subject to
14 the same limitations applicable to a tax imposed by sub-
15 title C the collection of which would be jeopardized by
16 delay.

17 “(g) LOANS OF DECEASED AND PERMANENTLY DIS-
18 ABLED BORROWERS; DISCHARGE BY SECRETARY.—

19 “(1) DISCHARGE IN THE EVENT OF DEATH.—
20 If a borrower of a direct IDEA loan dies or becomes
21 permanently and totally disabled (as determined in
22 accordance with regulations of the Secretary), then
23 the Secretary shall discharge the borrower’s liability
24 on the loan.

1 “(2) LIMITATION ON DISCHARGE.—The dis-
2 charge of the liability of an individual under this
3 subsection shall not discharge the liability of any
4 spouse with respect to any direct IDEA loan made
5 to such spouse.

6 “(h) CREDITING OF COLLECTIONS.—

7 “(1) IN GENERAL.—For purposes of deter-
8 mining whether there is an underpayment or over-
9 payment of tax imposed by subtitle A for any tax-
10 able year by an individual who is required to pay an
11 amount under this section, amounts withheld under
12 chapter 24 and amounts paid under section 6654
13 shall be treated as payments of the amount required
14 to be paid under this section to the extent thereof.

15 “(2) CREDITING OF AMOUNTS PAID ON A JOINT
16 RETURN.—Amounts collected under this section on a
17 joint return from a husband and wife both of whom
18 are in repayment status shall be credited to the ac-
19 counts of such spouses in the following order:

20 “(A) First, to repayment of interest added
21 to each account at the end of the preceding cal-
22 endar year in proportion to the interest so
23 added to the respective accounts of the spouses.

24 “(B) Then, to repayment of unpaid prin-
25 cipal, and unpaid interest accrued before such

1 preceding calendar year, in proportion to the re-
2 spective maximum account balances of the
3 spouses.

4 “(i) SPECIAL RULES.—

5 “(1) EXCLUSION FROM INCOME FOR LOANS
6 DISCHARGED.—No amount shall be includible in
7 gross income by reason of the discharge under this
8 section of any loan.

9 “(2) COMPUTATION OF ALTERNATIVE ANNUAL
10 PAYMENT FOR INDIVIDUALS WHO HAVE ATTAINED
11 AGE 55.—In the case of an individual who attains
12 age 55 before the close of the calendar year ending
13 in the taxable year, or of an individual filing a joint
14 return whose spouse attains age 55 before the close
15 of such calendar year, the progressivity factor appli-
16 cable to the base amortization amount of such indi-
17 vidual for such taxable year shall not be less than
18 1.0.

19 “(3) INFLATION ADJUSTMENT IN COMPUTATION
20 OF PROGRESSIVITY FACTOR.—

21 “(A) IN GENERAL.—Not later than De-
22 cember 15 of 2002 and of each 3d calendar
23 year thereafter, the Secretary shall prescribe ta-
24 bles which shall apply in lieu of the tables con-
25 tained in subsection (b)(3)(A) with respect to

1 taxable years beginning in the succeeding 3 cal-
2 endar years.

3 “(B) METHOD OF PRESCRIBING TABLES.—

4 The table which under subparagraph (A) is to
5 apply in lieu of the table contained in clause (i),
6 (ii), (iii), or (iv) of subsection (b)(3)(A), as the
7 case may be, with respect to taxable years be-
8 ginning in any 3-calendar year period shall be
9 prescribed—

10 “(i) by increasing each amount of
11 modified adjusted gross income in such
12 table by the cost-of-living adjustment for
13 the calendar year preceding such period,
14 and

15 “(ii) by not changing the progressivity
16 factor applicable to the modified adjusted
17 gross income as adjusted under clause (i).

18 If any increase under the preceding sentence is
19 not a multiple of \$10, such increase shall be
20 rounded to the nearest multiple of \$10.

21 “(C) COST-OF-LIVING ADJUSTMENT.—For
22 purposes of this paragraph, the cost-of-living
23 adjustment for any calendar year is the cost-of-
24 living adjustment determined under section
25 1(f)(3) for such calendar year by substituting

1 ‘calendar year 2001’ for ‘calendar year 1992’ in
2 subparagraph (B) thereof.

3 “(4) RULES RELATING TO BANKRUPTCY.—

4 “(A) IN GENERAL.—A direct IDEA loan
5 shall not be dischargeable in a case under title
6 11 of the United States Code.

7 “(B) CERTAIN AMOUNTS MAY BE POST-
8 PONED.—If any individual receives a discharge
9 in a case under title 11 of the United States
10 Code, the Secretary may postpone any amount
11 of the portion of the liability of such individual
12 on any direct IDEA loan which is attributable
13 to amounts required to be paid on such loan for
14 periods preceding the date of such discharge.

15 “(5) FINALITY OF ASSESSMENT AND COLLEC-
16 TION.—The first sentence of subsection (b) of sec-
17 tion 6305 shall apply to assessments and collections
18 under subsection (f) of this section.

19 “(6) INFORMATION TO BE FURNISHED TO SEC-
20 RETARY.—The borrower of any direct IDEA loan
21 shall furnish to the Secretary such information as
22 the Secretary determines to be necessary to carry
23 out this section with respect to such loan.”

24 “(b) APPLICATION OF ESTIMATED TAX.—Subsection
25 (f) of section 6654 of such Code (relating to failure by

1 individual to pay estimated income tax) is amended by
2 striking “minus” at the end of paragraph (2) and insert-
3 ing “plus”, by redesignating paragraph (3) as paragraph
4 (4), and by inserting after paragraph (2) the following new
5 paragraph:

6 “(3) the amount required to be repaid under
7 section 6306 (relating to collection of income-de-
8 pendent education assistance loans), minus.”

9 (c) FILING REQUIREMENT.—Subsection (a) of sec-
10 tion 6012 of such Code (relating to persons required to
11 make returns of income) is amended by inserting after
12 paragraph (9) the following new paragraph:

13 “(10) Every individual required to make a pay-
14 ment for the taxable year under section 6306 (relat-
15 ing to collection of income-dependent education as-
16 sistance loans).”

17 (d) CLERICAL AMENDMENT.—The table of sections
18 for subchapter A of chapter 64 of such Code is amended
19 by adding at the end the following new item:

“Sec. 6306. Collection of direct income-dependent education as-
sistance loans.”